HUMAN RESOURCES BULLETIN 99-05

Federal Employees' Group Life Insurance (FEGLI): New Premiums and Age Bands

The Office of Personnel Management (OPM) periodically reviews the FEGLI rates to determine whether circumstances require any changes in premiums. The last premium change was effective January 1, 1993.

Because of lower mortality rates in most age groups, OPM has decided to revise the FEGLI premiums. Premiums are being reduced for Basic insurance and in most age bands for Optional insurance. The new premium tables appear later in this bulletin.

New Age Bands: Public Law 105-311, Federal Employees Life Insurance Improvement Act, enacted October 30, 1998, made numerous changes to the FEGLI Program. One of those changes is to allow employees who are retiring or becoming insured as compensationers to elect unreduced Option B and/or Option C coverage. Currently, these coverages automatically begin to reduce when the annuitant/compensationer reaches age 65. Another change the new law makes is to provide a three-year portability demonstration project, which allows employees whose insurance is terminating due to separation or completion of 12 months in nonpay status to continue their Option B coverage on a direct pay basis.

Since Option B and C may now be continued to a later age in retirement, and Option B may be continued through portability, additional age bands are necessary. Therefore, the previous upper age band of "60 and over" has been replaced by three new age bands: 60-64, 65-69, and 70 and over. The premium tables reflect the new age bands, and separate rates have been developed for those age bands for Options B and C.

Change in the Way Employees Move from One Age Band to Another: Currently, when an employee has a birthday that moves him/her to another age band, the premiums for the new age band don't go into effect until the January following the birthday. To follow standard industry practice, OPM is changing the policy. When an employee has a birthday that moves him/her to another age band, the premiums for the new age band will become effective the pay period following the pay period in which the birthday occurs.

Effective Date: The effective date for these changes is April 24, 1999. The new premiums and age bands will be in place the first pay period beginning on or after April 24, 1999. The change in moving from one age band to another in the pay period following the employee's birthday is effective for birthdays on or after April 24, 1999. Employees who have a birthday from January 1, 1999, through April 23, 1999, that moves them into a new age band will start paying the premiums for the new age band the first pay period beginning on or after April 24, 1999.

New Biweekly FEGLI Premiums

Basic Insurance:

Withholding from employee: $0.1550 per $1,000
Government contribution: $0.0775 per $1,000

Option A

Under 35	$0.30
35-39	$0.40
40-44	$0.60
45-49	$0.90
50-54	$1.40
55-59	$2.70
60-64	$6.00
65-69	$6.00
70 and over	$6.00

Option B (per $1,000)

Under 35	$0.03
35-39	$0.04
40-44	$0.06
45-49	$0.10
50-54	$0.15
55-59	$0.31
60-64	$0.70
65-69	$0.90
70 and over	$1.40

Option C (per multiple)

Under 35	$0.27
35-39	$0.34
40-44	$0.46
45-49	$0.60
50-54	$0.90
55-59	$1.45
60-64	$2.60
65-69	$3.00
70 and over	$3.40

Federal Employees Group Life Insurance - Increased Amount of Option C and Election of Unreduced Option B and C at Retirement

Other changes made by Public Law 105-311 include increasing the amount of Option C coverage available and allowing retiring employees and employees becoming insured as compensationers (injured employees who receive compensation through OWCP) to elect unreduced Options B and C.

Increased Amount of Option C: Currently, Option C coverage is $5,000 for a spouse and $2,500 for each eligible child. The new law allows Federal employees to elect up to 5 multiples of the current amounts. The maximum amount of Option C available therefore will be $25,000 for a spouse and $12,500 for each eligible child. This change becomes effective April 24, 1999.

An employee may not elect a different number of multiples for different family members. The number of multiples an employee elects applies to all eligible family members. For instance, an employee cannot elect 4 multiples on a spouse and 2 on a child.

New employees who enter on duty on or after April 24, 1999, and employees who are newly eligible for FEGLI coverage on or after April 24, 1999, can elect the increased amounts at the time they become eligible. For those who elect Option C coverage on or after April 24, 1999, the coverage becomes effective the first day the employee enters on duty in a pay status on or after the day the employing office receives the SF 2817, Life Insurance Election form.

Current employees who have a life event (marriage, divorce, death of spouse, or acquisition of a child) on or after April 24, 1999, can elect or increase Option C within 60 days of the event. Current employees who already have Option C and who have (or had) a life event between October 30, 1998, and April 23, 1999, can elect additional multiples of Option C within 60 days after April 24, 1999. The coverage becomes effective the day the employing office receives the SF 2817 or the date of the event, whichever is later.

Current employees who do not fit into any of the above categories can elect additional multiples of Option C during the April 24 – June 30 1999, open enrollment period. (Information was provided concerning this open enrollment period in HR Bulletin 99-2 and more information will be provided in the future). The coverage becomes effective the first pay period beginning on or after April 23, 2000, which follows a pay period during which the employee was in a pay and duty status.

Life Event Elections of Option C: For marriage, an employee can elect a number equal to the number of eligible family members acquired with the marriage. For acquisition of children, an employee can elect a number equal to the number of eligible children acquired. Foster children “count” as eligible children for electing or increasing Option C coverage; however, they do not “count” for electing or increasing Option B coverage. For divorce or death of a spouse, an employee can elect a number equal to the total number of his/her eligible children. In no case can the total number of multiples exceed 5.

Carrying Increased Option C Coverage into Retirement: The increased amount of Option C coverage is subject to the 5-year/first opportunity requirement the same as any other FEGLI coverage. For employees who elect the increased coverage due to a life event, that event constitutes their first opportunity. For employees who do not experience a life event, the April 24-June 30, 1999, open enrollment period is their first opportunity. Employees who elect the increased coverage at their first opportunity and retire within 5 years of the effective date of their coverage will be able to continue the coverage into retirement.

Election of Unreduced Options B and C at Retirement: Currently, when an employee retires and is eligible to continue FEGLI coverage, he/she can choose the amount by which his/her Basic insurance will reduce after age 65: 75% Reduction, 50% Reduction, or No Reduction. Currently, there is no such choice for Optional insurance. Options A, B, and C all reduce automatically. Option A reduces until only 25% of the amount is left, and Options B and C reduce until they are gone entirely. Optional insurance is free for annuitants after the age of 65.

The new law allows retiring employees and employees who are becoming insured as compensationers to elect unreduced Options B and C. Premiums will continue to be withheld from the annuity or compensation after age 65. This provision becomes effective April 24, 1999. This will apply to employees separating for retirement (or compensationers completing 12 months in nonpay status) on or after April 24, 1999.

Under the new law, a retiring employee must choose either Full Reduction or No Reduction. There are no partial reductions. If a retiring employees chooses Full Reduction, his/her coverage will reduce just as it does now, beginning at age 65 (or at retirement, if the person is over age 65 at the time of retirement). The reduction is 2% per month until there is no coverage left. The annuitant/compensationer pays no premiums after age 65. If a retiring employee chooses No Reduction, his/her coverage will not reduce at all. After age 65, he/she will continue to pay premiums appropriate to his/her age.

Employees must make their election at the time of retirement (or for compensationers, at the time of separation or the completion of 12 months in nonpay status). If a retiring employee or an employee becoming insured as a compensationer doesn’t made an election, he/she will automatically get Full Reduction. (Elections are made on the SF 2818, which is being revised.)

The same election is not required for both Options B and C. A retiring employee may elect Full Reduction for one Option and No Reduction for the other. However, an employee may not choose full reduction for some multiples and no reduction for other multiples. An employee with more than one multiple of Option B must elect full Reduction or No Reduction for all the multiples. The same is true for Option C.

An annuitant or compensationer who elects No Reduction can change to Full Reduction at any time. However, a person who elects Full Reduction cannot change to No Reduction more than 30 days after he/she receives the first regular annuity check.

Employees who are already retired or insured as compensationers when this new provision goes into effect, and who have Option B, will be given a one-time opportunity to elect unreduced Option B coverage. Those whose Option B has already started reducing can elect to have their coverage "frozen" at whatever amount is left as of April 24, 1999, and to have no further reductions. Annuitants and compensationers who make this election will start paying the premiums appropriate to their age. These annuitants and compensations will not be able to elect unreduced Option C.

If you have questions about life insurance, please contact the Civilian Personnel Advisory Center (CPAC) servicing your activity.

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